

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2016

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Marr, Miller & Myers, PSC

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INDEPENDENT AUDITOR'S REPORT

October 27, 2016

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee For School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Marr, Miller & Myers, PSC

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedules of District's Proportionate Share of the Net Pension Liability and Pension Contributions and budgetary comparison information on pages 4-8, 44-45 and 47-48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the Statements of Receipts, Disbursements and Fund Balances-Activity Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Requisitions Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, the activity fund statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Marr, Miller & Myers, PSC

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marr, Miller & Myers, PSC

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

This section of the financial statements for the Whitley County School District (District) presents management's discussion and analysis of the financial performance of the District during the fiscal year that ended on June 30, 2016. As management of the District, we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$1,615,955 in 2016 and \$3,080,312 in 2015. This is a decrease of \$1,464,357. The decrease was due to expending the construction fund money of \$1,604,794 for the completion of the Pleasant View School.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel. This resulted in several economies due to changed management strategies.
- Earnings on investments decreased \$2,360 due to expending monies on completed construction projects.
- The General Fund had \$34,511,337 in revenues (excluding interfund transfers and proceeds from sale of assets), which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$34,391,879 in General Fund expenditures.
- Governmental capital assets had a net increase of \$855,605, and business-type capital assets had a net decrease of \$10,017 during the current fiscal year.
- Bonds are issued as the District renovates and constructs facilities consistent with a long-range facilities plan that is established with the community input and keeping with the Department of Education's stringent compliance regulations. The District received \$3,415,000 from a bond issue in the current year. Total debt service payments were \$4,645,000 in the current year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction,

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

support services, plant operations and maintenance, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 through 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary fund is for food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 through 20 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2016

Fiscal year 2015 government-wide net position compared to 2016 is as follows:

	<u>2016</u>	<u>2015</u>
Current assets	\$ 4,767,200	\$ 6,044,192
Capital assets, net	55,062,133	54,216,545
Deferred outflows (inflows) of resources	<u>2,083,596</u>	<u>140,845</u>
Total Assets and Deferred Outflows (Inflows) of Resources	<u>\$ 61,912,929</u>	<u>\$ 60,401,582</u>
Current liabilities	\$ 2,656,739	\$ 2,728,495
Noncurrent liabilities	<u>46,173,170</u>	<u>43,421,632</u>
Total Liabilities	<u>\$ 48,829,909</u>	<u>\$ 46,150,127</u>
Net position		
Net investment in capital assets	\$ 20,567,899	\$ 19,503,530
Restricted	3,647,387	3,205,562
Unrestricted (deficit)	<u>(11,132,266)</u>	<u>(8,457,637)</u>
Total Net Position	<u>\$ 13,083,020</u>	<u>\$ 14,251,455</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

The most significant change in the financial position of the District since the last audit was the decrease in cash and cash equivalents in the amount of \$1,464,357. The District also had an overall increase in liabilities in the amount of \$2,679,782. These changes were primarily due to construction costs incurred and the net pension liability (CERS) recognized in the current year. The net investment in capital assets had an increase in the amount of \$1,064,369.

The following table presents a summary of revenues and expenditures, Governmental Funds only, for the fiscal years ended June 30:

	<u>2016</u>	<u>Percent</u>	<u>2015</u>	<u>Percent</u>
REVENUES AND OTHER FINANCING SOURCES				
Local revenue sources	\$ 5,489,576	11.29%	\$ 5,502,484	11.16%
State revenue sources	34,457,759	70.88	33,740,008	68.41
Federal revenue sources	5,116,947	10.53	5,295,137	10.74
Operating transfers (net)	131,368	.27	129,251	.26
Proceeds from sale of assets	1,700	.01	8,053	.01
Bond proceeds	3,415,000	7.02	4,625,000	9.38
Premium on bonds	-	-	23,658	.04
Total revenues and other financing sources	<u>48,612,350</u>	<u>100.00</u>	<u>49,323,591</u>	<u>100.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Instruction	28,392,456	58.41	27,646,839	56.05
Student support services	1,415,725	2.91	1,403,105	2.84
Instruction staff	1,820,135	3.74	1,697,566	3.44
District administration	1,500,746	3.09	1,407,402	2.85
School administration	1,746,696	3.59	1,816,524	3.68
Business	674,071	1.39	690,081	1.40
Plant operations and maintenance	3,206,275	6.60	3,183,210	6.45
Student transportation	2,752,755	5.66	2,831,209	5.74
Building acquisitions and construction	1,589,999	3.27	6,804,488	13.80
Site improvements	4,446	.01	-	-
Food service operation	-	-	1,039	-
Community services activities	532,703	1.10	520,711	1.06
Bond discount	31,273	.06	-	-
Bond fees/issuance costs	46,975	.10	35,250	.07
Debt service/lease payments	6,137,858	12.63	7,416,647	15.04
Total expenditures and other financing uses	<u>49,852,113</u>	<u>102.56</u>	<u>55,454,071</u>	<u>112.42</u>
Net change in fund balance	<u>\$ (1,239,763)</u>	<u>(2.56)%</u>	<u>\$ (6,130,480)</u>	<u>(12.42)%</u>

The majority of the District's revenues were derived from state revenue sources, making up 70.88% of total revenues in 2016 as compared to 68.41% in 2015. Local revenue sources comprised 11.29% of total revenues in 2016 as compared to 11.16% in 2015. Federal revenue sources comprised 10.53% of total revenues in 2016 as compared to 10.74% in 2015. Bond proceeds comprised 7.02% of total revenues in 2016 as compared to 9.38% in 2015.

The majority of the District's expenditures were for instruction, making up 58.41% of total expenditures in 2016 as compared to 56.05% in 2015. Student transportation comprised 5.66% of the District's total expenditures in 2016 as compared to 5.74% in 2015. Plant operations and maintenance comprised 6.60% of the District's total expenditures in 2016 as compared to 6.45% in 2015. Capital assets of \$1,815,556 were charged to expenditures in 2016 as compared to \$7,045,741 in 2015.

WHITLEY COUNTY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

Comments on Budget Comparisons

In Kentucky, the public schools fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the original 2015-16 budget with \$594,384 in contingency (2.22%).

- The District's total general fund revenues for the fiscal year ended June 30, 2016 were \$34,511,337.
- General fund budgeted revenues compared to actual varied from line item to line item, with the ending actual balance being \$7,701,962 more than budget or 28.73%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$7,799,642 that were not budgeted. When these are eliminated, revenues compared to budget were \$97,680 or .36% less than anticipated.
- The District's total general fund expenditures for the fiscal year ended June 30, 2016 were \$34,391,879.
- General fund budgeted expenditures compared to actual varied significantly in instruction with them being \$6,997,579 over budget. These were due primarily to on-behalf payments of \$7,799,642, which were not budgeted. When these are eliminated, expenditures compared to budget were \$941,369 or 3.42% less than budget.

Capital Assets And Debt Administration

Capital Assets

At the end of June 30, 2016, the District had \$55,062,133 invested in capital assets. This represents a net increase of \$845,588.

A comparison of the capital assets at June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Construction in progress	\$ 4,446	\$ 8,471,042
Land	1,423,339	1,423,339
Buildings, improvements and infrastructure	50,175,870	41,427,897
Machinery and equipment	<u>3,458,478</u>	<u>2,894,267</u>
Total	<u>\$ 55,062,133</u>	<u>\$ 54,216,545</u>

Debt Administration

At the end of June 30, 2016, the District had \$34,494,234 in outstanding debt and capital leases compared to \$34,713,015 last year. That is a decrease of .63%.

Future Budget Implications

The District adopted a budget for 2016-17 with \$605,986 in contingency (2.08%). Significant Board action that impacts the finances includes the funding of non-revenue extra-curricular activities, KETS matching funds, KISTA bus lease obligations, and the KSBIT liability assessment.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2016

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Alicia Logan, Certified Finance Officer, at (606) 549-7000 or by mail at 300 Main Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
June 30, 2016

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 205,702	\$ 1,410,253	\$ 1,615,955
Cash with paying agent	1,761,145	-	1,761,145
Accounts receivable:			
Taxes – current	276,939	-	276,939
Accounts receivable	85,102	-	85,102
Intergovernmental – state	149,449	-	149,449
Intergovernmental – federal	784,596	24,957	809,553
Materials and supplies inventory	-	69,057	69,057
Total current assets	<u>3,262,933</u>	<u>1,504,267</u>	<u>4,767,200</u>
NONCURRENT ASSETS			
Capital assets, net	54,778,018	284,115	55,062,133
Total noncurrent assets	<u>54,778,018</u>	<u>284,115</u>	<u>55,062,133</u>
DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES	<u>2,083,596</u>	<u>-</u>	<u>2,083,596</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES	<u>60,124,547</u>	<u>1,788,382</u>	<u>61,912,929</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	128,128	7,665	135,793
Matured coupons outstanding	52,416	-	52,416
Accrued salaries and benefits payable	437,696	-	437,696
Deferred revenue	120,509	-	120,509
Current portion of bond obligations	1,575,000	-	1,575,000
Current portion of lease obligations	198,432	-	198,432
Current portion of accumulated sick leave payable	70,807	-	70,807
Current portion of insurance settlement payment	66,086	-	66,086
Total current liabilities	<u>2,649,074</u>	<u>7,665</u>	<u>2,656,739</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	31,522,801	-	31,522,801
Noncurrent portion of lease obligations	1,198,001	-	1,198,001
Noncurrent portion of accumulated sick leave payable	1,353,739	-	1,353,739
Noncurrent portion of insurance settlement payment	590,349	-	590,349
Net pension liability - CERS	11,508,280	-	11,508,280
Total noncurrent liabilities	<u>46,173,170</u>	<u>-</u>	<u>46,173,170</u>
TOTAL LIABILITIES	<u>48,822,244</u>	<u>7,665</u>	<u>48,829,909</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION (CONTINUED)
June 30, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets	20,283,784	284,115	20,567,899
Restricted for:			
Debt service	1,708,910	-	1,708,910
Other	441,875	1,496,602	1,938,477
Unrestricted (deficit)	<u>(11,132,266)</u>	<u>-</u>	<u>(11,132,266)</u>
TOTAL NET POSITION	<u>\$ 11,302,303</u>	<u>\$ 1,780,717</u>	<u>\$ 13,083,020</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 30,915,526	\$ 1,000	\$ 16,019,657	\$ -
Support services:				
Student	1,431,190	-	-	-
Instructional staff	1,828,398	-	-	-
District administration	1,507,724	-	222,391	-
School administration	1,759,326	-	-	-
Business	689,836	-	53,120	-
Plant operations and maintenance	3,350,248	-	217,428	-
Student transportation	3,020,439	-	562,984	-
Food service	50,333	-	-	-
Community services activities	549,961	190,536	-	-
Interest on long-term debt	1,437,284	-	399,954	-
Bond fees/issuance costs/amortization	52,228	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 46,592,493</u>	<u>\$ 191,536</u>	<u>\$ 17,475,534</u>	<u>\$ -</u>
BUSINESS-TYPE ACTIVITIES:				
Food service	\$ 3,318,749	\$ 116,283	\$ 3,515,331	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,318,749</u>	<u>\$ 116,283</u>	<u>\$ 3,515,331</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 49,911,242</u>	<u>\$ 307,819</u>	<u>\$ 20,990,865</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION**

Governmental Activities	Business-Type Activities	Total
\$ (14,894,869)		\$ (14,894,869)
(1,431,190)		(1,431,190)
(1,828,398)		(1,828,398)
(1,285,333)		(1,285,333)
(1,759,326)		(1,759,326)
(636,716)		(636,716)
(3,132,820)		(3,132,820)
(2,457,455)		(2,457,455)
(50,333)		(50,333)
(359,425)		(359,425)
(1,037,330)		(1,037,330)
<u>(52,228)</u>		<u>(52,228)</u>
<u>(28,925,423)</u>		<u>(28,925,423)</u>
	<u>\$ 312,865</u>	<u>312,865</u>
	<u>312,865</u>	<u>312,865</u>
		<u>(28,612,558)</u>

GENERAL REVENUES

Taxes			
Property	2,734,079	-	2,734,079
Motor vehicle	695,146	-	695,146
Utilities	1,167,769	-	1,167,769
State and formula grants	22,099,172	-	22,099,172
Earnings on investments	83,989	8,529	92,518
Gain (loss) on sale of fixed assets	(1,990)	-	(1,990)
Other local revenues	<u>617,057</u>	<u>-</u>	<u>617,057</u>
Total general revenues	27,395,222	8,529	27,403,751
Operating transfers (net)	<u>131,368</u>	<u>(131,368)</u>	<u>-</u>
Total general revenues and transfers	<u>27,526,590</u>	<u>(122,839)</u>	<u>27,403,751</u>
Change in net position	(1,398,833)	190,026	(1,208,807)
Net position, July 1, 2015	<u>12,701,136</u>	<u>1,590,691</u>	<u>14,291,827</u>
Net position, June 30, 2016	<u>\$ 11,302,303</u>	<u>\$ 1,780,717</u>	<u>\$ 13,083,020</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 749,897	\$ (766,163)	\$ 221,968	\$ 205,702
Cash with paying agent	-	-	1,761,145	1,761,145
Accounts receivable:				
Taxes -- current	276,939	-	-	276,939
Accounts receivable	84,054	1,048	-	85,102
Intergovernmental -- state	-	149,449	-	149,449
Intergovernmental -- federal	-	784,596	-	784,596
TOTAL ASSETS AND RESOURCES	<u>\$ 1,110,890</u>	<u>\$ 168,930</u>	<u>\$ 1,983,113</u>	<u>\$ 3,262,933</u>
LIABILITIES				
Accounts payable	\$ 69,622	\$ 48,421	\$ 10,085	\$ 128,128
Matured coupons outstanding	-	-	52,416	52,416
Accrued salaries and benefits payable	437,696	-	-	437,696
Deferred revenue	-	120,509	-	120,509
TOTAL LIABILITIES	<u>507,318</u>	<u>168,930</u>	<u>62,501</u>	<u>738,749</u>
FUND BALANCES				
Restricted				
Sick leave payable	70,807	-	-	70,807
SFCC escrow -- prior offer	-	-	35,619	35,619
Debt service	-	-	1,708,910	1,708,910
District wide activity funds	-	-	176,083	176,083
Committed				
Other lease obligations	146,408	-	-	146,408
Assigned				
Purchase obligations	12,958	-	-	12,958
Unassigned	373,399	-	-	373,399
TOTAL FUND BALANCES	<u>603,572</u>	<u>-</u>	<u>1,920,612</u>	<u>2,524,184</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,110,890</u>	<u>\$ 168,930</u>	<u>\$ 1,983,113</u>	<u>\$ 3,262,933</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2016

Total fund balances – governmental funds	\$ 2,524,184
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$89,766,551, and the accumulated depreciation is \$34,988,533.	54,778,018
Bond discounts and premiums, net of amortization, are not current financial resources and therefore are reported as deferred outflows of resources in governmental funds.	77,107
CERS contributions subsequent to the measurement date (\$1,180,418) net of the net difference between projected and actual earnings on CERS pension plan investments are reported as deferred outflows (inflows) of resources in governmental funds.	2,006,489
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(33,097,801)
Lease obligations are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(1,396,433)
Accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(1,424,546)
Insurance settlement payment liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(656,435)
Net CERS pension liability is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(11,508,280)</u>
Total Net Position - Governmental Activities	<u>\$ 11,302,303</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General Fund	Special Revenue
REVENUES		
From local sources:		
Taxes		
Property	\$ 2,327,633	\$ -
Motor vehicle	695,146	-
Utilities	1,167,769	-
Earnings on investments	11,909	670
Other local revenues	112,376	505,681
Intergovernmental – state	29,999,378	2,435,335
Intergovernmental – indirect federal	197,126	4,451,645
Intergovernmental – direct federal	-	68,222
TOTAL REVENUES	<u>34,511,337</u>	<u>7,461,553</u>
EXPENDITURES		
Instruction	22,048,571	6,167,589
Support services:		
Student	1,348,494	67,231
Instructional staff	1,059,243	760,892
District administration	1,500,746	-
School administration	1,711,707	34,989
Business	674,071	-
Plant operations and maintenance	3,206,275	-
Student transportation	2,715,242	21,897
Payment of bonds/debt service	-	-
Payment of lease obligations	91,092	-
Payment of interest	-	-
Building acquisitions and construction	-	-
Site improvement	-	-
Community services activities	36,438	496,265
TOTAL EXPENDITURES	<u>34,391,879</u>	<u>7,548,863</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>119,458</u>	<u>(87,310)</u>
OTHER FINANCING SOURCES (USES)		
Bond proceeds	-	-
Discount on bonds	-	-
Cost of issuance	-	-
Operating transfers in	131,368	96,086
Operating transfers out	(349,600)	(8,776)
Proceeds from sale of assets	1,700	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(216,532)</u>	<u>87,310</u>
NET CHANGES IN FUND BALANCES	(97,074)	-
FUND BALANCES, JULY 1, 2015	<u>700,646</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2016	<u>\$ 603,572</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 406,446	\$ 2,734,079
-	695,146
-	1,167,769
71,410	83,989
190,536	808,593
2,023,046	34,457,759
-	4,648,771
<u>399,954</u>	<u>468,176</u>
<u>3,091,392</u>	<u>45,064,282</u>
176,296	28,392,456
-	1,415,725
-	1,820,135
-	1,500,746
-	1,746,696
-	674,071
-	3,206,275
15,616	2,752,755
4,645,000	4,645,000
-	91,092
1,401,766	1,401,766
1,589,999	1,589,999
4,446	4,446
-	<u>532,703</u>
<u>7,833,123</u>	<u>49,773,865</u>
<u>(4,741,731)</u>	<u>(4,709,583)</u>
3,415,000	3,415,000
(31,273)	(31,273)
(46,975)	(46,975)
2,064,586	2,292,040
(1,802,296)	(2,160,672)
-	<u>1,700</u>
<u>3,599,042</u>	<u>3,469,820</u>
(1,142,689)	(1,239,763)
<u>3,063,301</u>	<u>3,763,947</u>
<u>\$ 1,920,612</u>	<u>\$ 2,524,184</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Total Net Change In Fund Balances per fund financial statements **\$ (1,239,763)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays to purchase or build capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which the current year depreciation expense exceeded current year capital outlays.

Depreciation	\$ (2,045,538)	
Capital outlays	<u>1,815,556</u>	(229,982)

The difference between the proceeds related to the sale of capital assets, and the net book value of those assets disposed of during the year, is shown as a gain (loss) on disposal of capital assets on the statement of activities, while this is not reported in the governmental funds, as the costs of these capital assets were reported as an expenditure at the time of acquisition. (3,688)

Bond proceeds are reported as other financing sources in the governmental funds but are shown as an increase in noncurrent liabilities in the statement of net position. (3,415,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 4,645,000

Lease obligations are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities. 133,630

Bond discounts and premiums are reported in the governmental funds as other financing sources (uses). However, for governmental activities, those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. The amount of the current year expense and the effect on the statement of net position is as follows:

Discount on bonds	\$ 31,273	
Amortization expense	<u>(5,253)</u>	26,020

Compensated absences (sick leave) are measured by the amounts earned during the year in the statement of activities. In the governmental funds, expenditures for these amounts are measured by the amount of financial resources used (the amount paid). The difference in expenses reported in the statement of activities is a result of the change in accumulated sick leave. (952,501)

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2016

CERS payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are shown as deferred outflows (inflows) on the statement of net position. The amount of the current year expense and the effect on the net position is as follows:

Deferred inflows – CERS	\$ 1,080,418	
Current year expense – CERS	<u>(1,442,967)</u>	<u>(362,550)</u>

Change In Net Position of Governmental Activities

\$ (1,398,833)

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

	<u>ASSETS</u>	<u>Food Service</u>
CURRENT ASSETS		
Cash and cash equivalents		\$ 1,410,253
Materials and supplies inventory		69,057
Accounts receivable:		
Intergovernmental – federal		<u>24,957</u>
Total current assets		<u>1,504,267</u>
NONCURRENT ASSETS		
Capital assets, net		<u>284,115</u>
TOTAL ASSETS		<u>1,788,382</u>
	<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES		
Accounts payable		<u>7,665</u>
Total current liabilities		<u>7,665</u>
NET POSITION		
Net investment in capital assets		284,115
Restricted		<u>1,496,602</u>
TOTAL NET POSITION		<u>\$ 1,780,717</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2016

	<u>Food Service</u>
OPERATING REVENUES	
Sales	\$ 116,283
TOTAL OPERATING REVENUES	<u>116,283</u>
OPERATING EXPENSES	
Salaries	975,687
Employee benefits	486,652
Purchased services	19,975
Supplies and materials	1,786,046
Depreciation	<u>50,389</u>
TOTAL OPERATING EXPENSES	<u>3,318,749</u>
OPERATING INCOME (LOSS)	<u>(3,202,466)</u>
NON-OPERATING REVENUES (EXPENSES)	
Operating grants – federal	3,038,409
Operating grants – state	294,211
Child nutrition program - donated commodities	182,711
Earnings on investments	8,529
Operating transfers out	<u>(131,368)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>3,392,492</u>
CHANGE IN NET POSITION	190,026
NET POSITION, JULY 1, 2015	<u>1,590,691</u>
NET POSITION, JUNE 30, 2016	<u>\$ 1,780,717</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2016

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales	\$ 120,666
Cash payments for salaries and employee benefits	(1,462,339)
Cash payments for purchased services	(19,975)
Cash payments for supplies and materials	(1,790,820)
Net cash provided (used) by operating activities	<u>(3,152,468)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(40,372)</u>
Net cash provided (used) by capital and related financing activities	<u>(40,372)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest	8,529
Receipt of grants	3,332,620
Receipt of donated commodities	182,711
Operating transfers out	(131,368)
Net cash provided (used) by investing activities	<u>3,392,492</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	199,652
CASH AND CASH EQUIVALENTS, JULY 1, 2015	<u>1,210,601</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2016	<u>\$ 1,410,253</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (3,202,466)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Purchases of capital assets	40,372
Depreciation	50,389
Changes in assets and liabilities:	
Accounts receivable	4,383
Inventory	(10,459)
Accounts payable	<u>(34,687)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,152,468)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Donated commodities received from federal government	<u>\$ 182,711</u>
On-behalf payments from state government	<u>\$ 262,369</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents

Accounts receivable

TOTAL ASSETS

School
Activity
Funds

\$ 177,792

1,698

179,490

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable

Due to students

TOTAL LIABILITIES

1,913

177,577

179,490

NET POSITION

\$ -

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

REPORTING ENTITY

The Whitley County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Whitley County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Whitley County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION

The Whitley County Board of Education resolved to authorize the establishment of the Whitley County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Whitley County Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net fund balances.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are "intended to finance" future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS/EXPENDITURES

Payments made that will benefit periods beyond June 30, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food and supplies.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District adheres to the property inventory procedures developed by the Kentucky Department of Education. Fixed assets (real property) with an acquisition value of \$5,000 or more that have useful lives of more than one year are capitalized. All computer workstations and laptops, regardless of value, are capitalized. Additional items may also be designated by the District as capital assets. Fixed assets no longer needed or useable are disposed of in compliance with Board policy and applicable legal requirements.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Other	10 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District, an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account restricted for sick leave payable in the general fund. The non-current portion of the liability is not reported in the governmental fund financial statements.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Whitley County School District's Board members. Any changes or removal of specific purposes also requires majority action by the Board.

Assigned Fund Balance – Portion of fund balance that has been budgeted by the District.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Site Base* – Portion of fund balance that has been budgeted for future site base expenditures.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are that revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All unencumbered budget appropriations lapse at year end.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation coverage.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2016, the carrying amount of the District's deposits (cash and cash equivalents) was \$1,615,955 and the bank balance was \$4,165,990. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of bank utilized during fiscal year: Community Trust Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$6,400,000.
- c. Largest cash, savings and time deposit combined account balance amounted to \$7,486,331 and occurred during the month of July 2015.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured. |

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2016 fiscal year was based, was \$684,505,830. The tax rates assessed for the year ended June 30, 2016 to finance general fund operations were \$.4160 per \$100 valuation for real estate, \$.4160 per \$100 valuation for tangible property and \$.552 for motor vehicles. The District committed \$.062 of the levy to the FSPK Fund. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2016 were ninety three percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

At June 30, 2016, the components of taxes receivable were as follows:

Property tax	\$ 39,377
Motor vehicle tax	50,643
Delinquent property tax	15,650
Utilities tax	<u>171,269</u>
	<u>\$ 276,939</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES

Changes in the District's deferred outflows (inflows) of resources during the fiscal year 2016 were as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Premium/discount on bonds, net	\$ 51,087	\$ 31,273	\$ 5,253	\$ 77,107
CERS contributions subsequent to the measurement date	1,119,758	1,080,418	1,119,758	1,080,418
Net difference between projected and actual earnings on CERS pension plan investments, changes in assumptions, etc.	<u>(1,030,000)</u>	<u>2,389,284</u>	<u>433,213</u>	<u>926,071</u>
	<u>\$ 140,845</u>	<u>\$ 3,500,975</u>	<u>\$ 1,558,224</u>	<u>\$ 2,083,596</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
GOVERNMENTAL ACTIVITIES				
Construction in progress	\$ 8,471,042	\$ 1,594,445	\$ 10,061,041	\$ 4,446
Land	1,423,339	-	-	1,423,339
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	60,256,082	10,061,041	-	70,317,123
Technology equipment	5,652,298	221,111	93,209	5,780,200
Vehicles	6,278,810	1,089,275	5,981	7,362,104
General equipment	2,854,122	-	-	2,854,122
Infrastructure	608,460	-	-	608,460
Totals at cost	<u>86,960,910</u>	<u>12,965,872</u>	<u>10,160,231</u>	<u>89,766,551</u>
Less accumulated depreciation:				
Land improvements	1,409,367	-	2,911	1,412,278
Buildings and improvements	19,240,257	-	1,281,035	20,521,292
Technology equipment	4,941,787	93,209	321,990	5,170,568
Vehicles	5,401,332	2,293	274,136	5,673,175
General equipment	1,841,976	-	136,344	1,978,320
Infrastructure	203,778	-	29,122	232,900
Total accumulated depreciation	<u>33,038,497</u>	<u>95,502</u>	<u>2,045,538</u>	<u>34,988,533</u>
Governmental activities capital assets, net	<u>\$ 53,922,413</u>	<u>\$ 13,061,374</u>	<u>\$ 12,205,769</u>	<u>\$ 54,778,018</u>
BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 1,441,324	\$ 39,668	\$ -	\$ 1,480,992
Technology equipment	38,556	704	1,110	38,150
Totals at cost	<u>1,479,880</u>	<u>40,372</u>	<u>1,110</u>	<u>1,519,142</u>
Less accumulated depreciation:				
Food service equipment	1,153,796	-	49,659	1,203,455
Technology equipment	31,952	1,110	730	31,572
Total accumulated depreciation	<u>1,185,748</u>	<u>1,110</u>	<u>50,389</u>	<u>1,235,027</u>
Business-type activities capital assets, net	<u>\$ 294,132</u>	<u>\$ 41,482</u>	<u>\$ 51,499</u>	<u>\$ 284,115</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,668,911
Support services:	
Student	2,435
Instructional staff	1,841
District administration	2,793
School administration	4,026

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Business	10,854
Plant operations and maintenance	81,789
Student transportation	<u>272,889</u>
Total governmental activities	<u>\$ 2,045,538</u>

NOTE 7 – ACCUMULATED SICK LEAVE LIABILITY

Changes in the District's accumulated sick leave liability during the fiscal year 2016 were as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>	<u>Amount</u> <u>Expected</u> <u>to be Paid</u> <u>Within</u> <u>One Year</u>
Governmental activities					
Accumulated sick leave	<u>\$ 472,045</u>	<u>\$ 1,017,369</u>	<u>\$ 64,868</u>	<u>\$ 1,424,546</u>	<u>\$ 70,807</u>

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS

In 2014, the District entered into negotiations for a loan with KISTA (Kentucky Interlocal School Transportation Association) to provide funds needed to pay in full the District's total assessment required by the reorganization plan for the KSBIT (Kentucky School Board Insurance Trust) liability. A loan agreement dated September 1, 2014 with KISTA was entered into and provided funds of \$712,009. Interest rates range from 2.00% to 3.25%. The District's first debt service payment was due August 15, 2015 and is payable from the general fund. This loan may be prepaid without penalty on any date on or after September 1, 2019, upon 30 days written notice to KISTA.

The minimum obligations of the District at June 30, 2016 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ 66,086	\$ 16,816	\$ 82,902
2017-18	67,421	15,481	82,902
2018-19	68,835	14,067	82,902
2019-20	70,331	12,571	82,902
2020-21	72,169	10,733	82,902
2021-22	74,367	8,535	82,902
2022-23	76,632	6,270	82,902
2023-24	79,017	3,885	82,902
2024-25	81,577	1,325	82,902
	<u>\$ 656,435</u>	<u>\$ 89,683</u>	<u>\$ 746,118</u>

The District, through the General Fund (including utility taxes, Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Whitley County Fiscal Court and the Whitley County School District Finance Corporation to construct school facilities. The District has an option to purchase the property at any time by retiring the bonds then outstanding.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
QZAB 2002	\$ 498,801	0%
QZAB 2003	500,000	0%
2007	3,265,000	4.05%
2009	3,655,000	1.00% to 3.00%
2010R	7,580,000	1.00% to 2.8%
QZAB 2010	1,850,000	5.25%
QSCB 2010	6,324,000	5.25%
2013	1,020,000	.55% to 3.10%
2014	8,570,000	1.80% to 4.00%
2015R	4,625,000	2.00% to 2.50%
2015R-Second Series	3,415,000	1.00% to 2.50%

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2016:

	<u>Amount of Debt Outstanding July 1, 2015</u>	<u>Additions of New Debt</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2016</u>	<u>Amount Expected to be Paid Within One Year</u>
Governmental activities:					
General obligation bonds	<u>\$ 34,327,801</u>	<u>\$ 3,415,000</u>	<u>\$ 4,645,000</u>	<u>\$ 33,097,801</u>	<u>\$ 1,575,000</u>
Capital leases	<u>\$ 385,214</u>	<u>\$ 1,089,275</u>	<u>\$ 78,056</u>	<u>\$ 1,396,433</u>	<u>\$ 198,432</u>

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In 2016, the District issued \$3,415,000 of School Building Refunding Revenue Bonds. After deducting the bond discount of \$31,273 and deducting costs of issuance of \$46,975 and debt service due (2007 bonds) of \$63,180, proceeds in the amount of \$3,273,572 were deposited into an escrow account to defease the remaining outstanding 2007 bonds.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2016 for debt service (principal and interest) are as follows:

Year	Kentucky School Facility Construction Commission		Whitley County School District		Total
	Principal	Interest	Principal	Interest	
2016-17	\$ 488,868	\$ 115,113	\$ 1,086,132	\$ 577,150	\$ 2,267,263
2017-18	499,510	104,470	1,609,291	551,695	2,764,966
2018-19	470,566	93,980	1,649,434	523,793	2,737,773
2019-20	355,229	85,726	1,199,771	497,253	2,137,979
2020-21	362,221	78,731	1,227,779	465,230	2,133,961
2021-22	369,692	71,262	1,270,308	432,209	2,143,471
2022-23	378,096	62,857	896,904	393,309	1,731,166
2023-24	387,696	53,257	917,304	373,784	1,732,041
2024-25	397,540	43,413	947,460	353,513	1,741,926
2025-26	407,790	33,162	962,210	331,860	1,735,022
2026-27	66,135	22,647	1,033,865	303,225	1,425,872
2027-28	68,450	20,332	101,550	288,403	478,735
2028-29	70,845	17,937	109,155	285,198	483,135
2029-30	73,324	15,457	636,676	281,753	1,007,210
2030-31	75,891	12,891	1,564,109	259,789	1,912,680
2031-32	78,926	9,855	1,631,074	197,990	1,917,845
2032-33	82,083	6,698	1,697,917	133,602	1,920,300
2033-34	85,368	3,415	1,664,632	66,585	1,820,000
	<u>\$ 4,718,230</u>	<u>\$ 851,203</u>	<u>\$ 20,205,571</u>	<u>\$ 6,316,341</u>	<u>\$ 32,091,345</u>

The District issued \$1,850,000 of Qualified Zone Academy Bonds, Series 2010. The District also issued \$6,324,000 of Qualified School Construction Bonds, Series 2010. These two bond issues were issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the Bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the Bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the Bonds.

The following represents the future minimum obligations of the District related to these two issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2016 for debt service (principal and interest):

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

Year	Whitley County School District <u>Sinking Fund</u>	Kentucky School Facility Construction Commission <u>Sinking Fund</u>	(ARRA) Direct Pay <u>Interest</u>	2010 QZAB 2010 QSCB <u>Principal</u>	<u>Total</u>
2016-17	\$ 73,750	\$ 23,037	\$ 429,135	\$ -	\$ 525,922
2017-18	72,560	23,037	429,135	-	524,732
2018-19	69,792	23,037	429,135	-	521,964
2019-20	44,591	23,037	429,135	-	496,763
2020-21	46,800	23,037	429,135	-	498,972
2021-22	40,311	23,037	429,135	-	492,483
2022-23	460,145	23,037	429,135	-	912,317
2023-24	460,198	23,037	429,135	-	912,370
2024-25	457,247	23,037	429,135	-	909,419
2025-26	461,241	23,037	429,135	-	913,413
2026-27	457,877	23,037	429,135	-	910,049
2027-28	1,402,418	23,037	429,135	-	1,854,590
2028-29	1,422,823	23,037	429,135	-	1,874,995
2029-30	900,230	23,037	214,568	1,384,835	2,522,670
	<u>\$ 6,369,983</u>	<u>\$ 322,518</u>	<u>\$ 5,793,323</u>	<u>\$ 1,384,835</u>	<u>\$13,870,659</u>

In 2009, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$374,539 through the KISTA Bond Pool Sizing Second Series of 2009. Interest rates range from 2.0% to 3.9%.

The minimum obligations of the District at June 30, 2016 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2016-17	\$ 40,203	\$ 4,070	\$ 44,273
2017-18	34,401	2,663	37,064
2018-19	35,644	1,390	37,034
	<u>\$110,248</u>	<u>\$ 8,123</u>	<u>\$118,371</u>

During the current fiscal year, principal payments in the amount of \$38,960 were paid.

In 2011, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$399,347 through the KISTA Bond Pool Sizing First Series of 2011. Interest rates range from 1.0% to 4.0%.

The minimum obligations of the District at June 30, 2016 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2016-17	\$ 40,119	\$ 6,703	\$ 46,822
2017-18	41,142	5,600	46,742
2018-19	42,371	4,324	46,695
2019-20	36,025	2,841	38,866
2020-21	37,253	1,490	38,743
	<u>\$196,910</u>	<u>\$ 20,958</u>	<u>\$217,868</u>

During the current fiscal year, principal payments in the amount of \$39,096 were paid.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – NOTE PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

In 2016, the District entered into negotiations for the purchase of ten school buses. Bonds were issued in the amount of \$1,089,275 through the KISTA Bond Pool Sizing First Series of 2016. Interest rates range from 2.0% to 2.625%.

The minimum obligations of the District at June 30, 2016 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ 118,110	\$ 22,101	\$ 140,211
2017-18	119,441	21,108	140,549
2018-19	103,471	18,719	122,190
2019-20	105,467	16,649	122,116
2020-21	107,796	14,540	122,336
2021-22	109,793	12,384	122,177
2022-23	112,122	10,188	122,310
2023-24	114,783	7,666	122,449
2024-25	97,815	5,083	102,898
2025-26	100,477	2,637	103,114
	<u>\$ 1,089,275</u>	<u>\$ 131,075</u>	<u>\$ 1,220,350</u>

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District obtained coverage through commercial insurance carriers. The District pays an annual premium for coverage.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE 10 – PENSION PLANS

Plan Descriptions

The Whitley County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. KTRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Employees Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue publicly available financial reports that include financial statements and required supplementary information. KTRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 – PENSION PLANS (CONTINUED)

KTRS

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salary for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of credited service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; and (e) three percent (3%) of final average salary for years of credited service greater than 30 years.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 – PENSION PLANS (CONTINUED)

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; and (d) two percent (2%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2016, was 16.105 percent of salaries for federally funded employees and 3.00 percent of salaries for non-federally funded employees. Contributions to the pension plan from the District were \$1,018,234.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. The related State share of the net pension liability was \$135,871,569.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was zero percent.

For the year ended June 30, 2016, the District recognized pension expense of \$2,810,008 and revenue of \$2,810,008 for support provided by the State. At June 30, 2016, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 – PENSION PLANS (CONTINUED)

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a program of Scale AA to 2020 with a set back of 1 year for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 4.88%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2039 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2038 and the Municipal Bond Index Rate of 3.82% was applied to periods on or after 2038, resulting in an SEIR of 4.88%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.82%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 – PENSION PLANS (CONTINUED)

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2016, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Plan members who began participating after September 1, 2008 were required to contribute 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2016, was 17.06 percent of annual creditable compensation. Contributions to the pension plan from the District were \$1,080,418.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$11,508,280 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.267664 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$1,442,967. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for District contributions subsequent to the measurement date of \$1,080,418 and (2) Deferred inflows of resources for differences between expected and actual experience of \$926,071. The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$1,080,418 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 – PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.00 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

The long-term expected return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which cover a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in the future years.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	<u>100%</u>	

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 – PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement who do not perform the investing function for these plans, to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

NOTE 11 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District has a pending case styled Chatham v. Whitley County Board of Education which was filed in Whitley Circuit Court. This litigation involves a fatal bus accident. The estate of the young man and his parents have filed a wrongful death suit against the School District and various individuals. That matter was and still is in the early stages of litigation with pending motions to dismiss all claims upon various types of immunity.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 12 – DEFICIT OPERATING/FUND BALANCES

The following funds had operations that resulted in current year operating deficits in governmental funds, resulting in corresponding reductions in fund balance, as follows:

General Fund	\$ 97,074
Construction Fund	1,306,980
	<u>\$ 1,404,054</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Food Service	General	Indirect costs	\$ 131,368
Operating	Building/FSPK	Debt Service	Debt service requirement	1,392,252
Operating	General	Special Revenue	Matching – KETS	87,310
Operating	Capital Outlay	Debt Service	Debt service requirement	300,044
Operating	Special Revenue	Special Revenue	Project transfer	8,776
Operating	General	Construction	Construction	175,618
Operating	General	Debt Service	Debt Service	86,672
Operating	Capital Outlay	Construction	Construction	80,000
Operating	Building/FSPK	Construction	Construction	30,000

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2016.

NOTE 15 – ON-BEHALF PAYMENTS

As amounts are paid by various State agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with State revenue, and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications, and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2016 is as follows:

Payments made by the State for fringe benefits of District employees and technology expenses were included in the following functional expense classifications:

Instruction	\$ 6,743,719
Support services:	
District administration	222,391
Business	53,120
Plant operations and maintenance	217,428
Student transportation	562,984
Food service	262,369
Total	<u>\$ 8,062,011</u>

Payments made by the KSFCC for its participation in the District's bonds were included in debt service expenditures

\$ 627,015

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 16 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 70,807	Accumulated sick leave
District Wide Activity Funds	176,083	Student instruction
FSPK	35,619	SFCC escrow – prior offer
FSPK	181	Debt service
Debt Service	1,708,729	Debt service

NOTE 17 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through October 27, 2016, the date on which we issued our financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Years Ended June 30,

	<u>Reporting Fiscal Year (Measurement Date)</u>	
	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:		
District and PSCA's proportion of the net pension liability	.267664%	.284461%
District and PSCA's proportionate share of the net pension liability	\$ 11,508,280	\$ 9,229,000
District and PSCA's covered-employee payroll	\$ 6,333,075	\$ 6,337,056
District and PSCA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.72%	145.64%
Plan fiduciary net position as a percentage of the total pension liability	66.75%	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
District's proportion of the net pension liability	0%	0%
District's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 135,871,569	\$ 130,754,261
District's covered-employee payroll	\$ 20,795,404	\$ 20,100,143
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	55.30%	45.59%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF PENSION CONTRIBUTIONS
Years Ended June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
Contractually required contribution	\$ 1,080,418	\$ 1,119,758	\$ 1,251,538
Contributions in relation to the contractually required contribution	<u>(1,080,418)</u>	<u>(1,119,758)</u>	<u>(1,251,538)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District and PSCA's covered-employee payroll	\$ 6,333,075	\$ 6,337,056	\$ 6,625,400
District and PSCA's contributions as a percentage of its covered-employee payroll	17.06%	17.67%	18.89%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 20,795,404	\$ 20,100,143	\$ 19,950,726
District's contributions as a percentage of its covered-employee payroll	0%	0%	0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2016

(1) CHANGES OF ASSUMPTIONS

KTRS/CERS

The assumption changes are notes below.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0% including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of June 30, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for KTRS or CERS.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Favorable or (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources:				
Taxes				
Property	\$ 2,325,000	\$ 2,500,000	\$ 2,327,633	\$ (172,367)
Motor vehicle	630,000	630,000	695,146	65,146
Utilities	1,250,000	1,250,000	1,167,769	(82,231)
Earnings on investments	5,000	5,000	11,909	6,909
Other local revenues	272,000	97,000	112,376	15,376
Intergovernmental – state	22,186,999	22,227,375	29,999,378	7,772,003
Intergovernmental – indirect federal	100,000	100,000	197,126	97,126
TOTAL REVENUES	<u>26,768,999</u>	<u>26,809,375</u>	<u>34,511,337</u>	<u>7,701,962</u>
EXPENDITURES				
Instruction	15,069,302	15,050,992	22,048,571	(6,997,579)
Support services:				
Student	1,395,891	1,395,891	1,348,494	47,397
Instructional staff	1,118,712	1,118,712	1,059,243	59,469
District administration	1,290,370	1,290,370	1,500,746	(210,376)
School administration	1,761,236	1,761,236	1,711,707	49,529
Business	534,967	534,967	674,071	(139,104)
Plant operations and maintenance	3,218,801	3,216,801	3,206,275	10,526
Student transportation	2,458,861	2,458,861	2,715,242	(256,381)
Food service operation	2,600	2,600	-	2,600
Community services activities	17,700	17,700	36,438	(18,738)
Debt service	91,092	91,092	91,092	-
Contingency	554,008	594,384	-	594,384
TOTAL EXPENDITURES	<u>27,513,540</u>	<u>27,533,606</u>	<u>34,391,879</u>	<u>(6,858,273)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(744,541)</u>	<u>(724,231)</u>	<u>119,458</u>	<u>843,689</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	120,000	120,000	131,368	11,368
Operating transfers out	(67,000)	(87,310)	(349,600)	(262,290)
Proceeds from sale of assets	5,000	5,000	1,700	(3,300)
TOTAL OTHER FINANCING SOURCES (USES)	<u>58,000</u>	<u>37,690</u>	<u>(216,532)</u>	<u>(254,222)</u>
NET CHANGES IN FUND BALANCE	<u>(686,541)</u>	<u>(686,541)</u>	<u>(97,074)</u>	<u>589,467</u>
FUND BALANCE, JULY 1, 2015	<u>686,541</u>	<u>686,541</u>	<u>700,646</u>	<u>14,105</u>
FUND BALANCE, JUNE 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,572</u>	<u>\$ 603,572</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
Year Ended June 30, 2016

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget Favorable or (Unfavorable)</u>
REVENUES				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	-	670	670
Other local revenues	453,135	502,237	505,681	3,444
Intergovernmental – state	2,103,479	2,343,747	2,435,335	91,588
Intergovernmental – indirect federal	4,004,758	4,169,034	4,451,645	282,611
Intergovernmental – direct federal	64,455	64,455	68,222	3,767
TOTAL REVENUES	<u>6,625,827</u>	<u>7,079,473</u>	<u>7,461,553</u>	<u>382,080</u>
EXPENDITURES				
Instruction	5,473,599	5,938,146	6,167,589	(229,443)
Support services:				
Student	87,918	87,918	67,231	20,687
Instructional staff	613,943	603,042	760,892	(157,850)
District administration	-	-	-	-
School administration	34,120	34,120	34,989	(869)
Plant operations and maintenance	-	-	-	-
Student transportation	-	-	21,897	(21,897)
Community services activities	483,247	483,247	496,265	(13,018)
TOTAL EXPENDITURES	<u>6,692,827</u>	<u>7,146,473</u>	<u>7,548,863</u>	<u>(402,390)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(67,000)</u>	<u>(67,000)</u>	<u>(87,310)</u>	<u>(20,310)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	67,000	75,776	96,086	20,310
Operating transfers out	-	(8,776)	(8,776)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>67,000</u>	<u>67,000</u>	<u>87,310</u>	<u>20,310</u>
NET CHANGES IN FUND BALANCE	-	-	-	-
FUND BALANCE, JULY 1, 2015	-	-	-	-
FUND BALANCE, JUNE 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL
Year Ended June 30, 2016

The District's budgetary process accounts for transactions on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles. In accordance with state law, the District prepares a budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. The District must adopt the working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	District Wide Activity Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES						
Cash and cash equivalents	\$ -	\$35,800	\$ 2,155	\$ -	\$ 184,013	\$ 221,968
Cash with paying agent	-	-	-	1,761,145	-	1,761,145
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$35,800</u>	<u>\$ 2,155</u>	<u>\$1,761,145</u>	<u>\$ 184,013</u>	<u>\$ 1,983,113</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 2,155	\$ -	\$ 7,930	\$ 10,085
Matured coupons outstanding	-	-	-	52,416	-	52,416
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,155</u>	<u>52,416</u>	<u>7,930</u>	<u>62,501</u>
FUND BALANCES						
Restricted						
SFCC escrow – prior offer	-	35,619	-	-	-	35,619
Debt service	-	181	-	1,708,729	-	1,708,910
District wide activity funds	-	-	-	-	176,083	176,083
TOTAL FUND BALANCES	<u>-</u>	<u>35,800</u>	<u>-</u>	<u>1,708,729</u>	<u>176,083</u>	<u>1,920,612</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$35,800</u>	<u>\$ 2,155</u>	<u>\$1,761,145</u>	<u>\$ 184,013</u>	<u>\$ 1,983,113</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ 406,446	\$ -	\$ -
Earnings on investments	-	-	1,847	68,187
Other local revenues	-	-	-	-
Intergovernmental – state	380,044	1,015,987	-	627,015
Intergovernmental – direct federal	-	-	-	399,954
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>380,044</u>	<u>1,422,433</u>	<u>1,847</u>	<u>1,095,156</u>
EXPENDITURES				
Instruction	-	-	-	-
Student transportation	-	-	-	-
Payment of bonds	-	-	-	4,645,000
Payment of interest	-	-	-	1,401,766
Building acquisitions and construction	-	-	1,589,999	-
Site improvement	-	-	4,446	-
	<u>-</u>	<u>-</u>	<u>1,594,445</u>	<u>6,046,766</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,594,445</u>	<u>6,046,766</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>380,044</u>	<u>1,422,433</u>	<u>(1,592,598)</u>	<u>(4,951,610)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	3,415,000
Discount on bonds	-	-	-	(31,273)
Cost of issuance	-	-	-	(46,975)
Operating transfers in	-	-	285,618	1,778,968
Operating transfers out	(380,044)	(1,422,252)	-	-
	<u>-</u>	<u>(1,422,252)</u>	<u>285,618</u>	<u>5,115,720</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,422,252)</u>	<u>285,618</u>	<u>5,115,720</u>
NET CHANGES IN FUND BALANCES	-	181	(1,306,980)	164,110
FUND BALANCES, JULY 1, 2015	<u>-</u>	<u>35,619</u>	<u>1,306,980</u>	<u>1,544,619</u>
FUND BALANCES, JUNE 30, 2016	<u>\$ -</u>	<u>\$ 35,800</u>	<u>\$ -</u>	<u>\$ 1,708,729</u>

District Wide Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ 406,446
1,376	71,410
190,536	190,536
-	2,023,046
-	<u>399,954</u>
<u>191,912</u>	<u>3,091,392</u>
176,296	176,296
15,616	15,616
-	4,645,000
-	1,401,766
-	1,589,999
-	<u>4,446</u>
<u>191,912</u>	<u>7,833,123</u>
-	<u>(4,741,731)</u>
-	3,415,000
-	(31,273)
-	(46,975)
-	2,064,586
-	<u>(1,802,296)</u>
-	<u>3,599,042</u>
-	(1,142,689)
<u>176,083</u>	<u>3,063,301</u>
<u>\$ 176,083</u>	<u>\$ 1,920,612</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2016

ACCOUNTS:	Cash Balances July 1, 2015	Receipts	Disbursements	Interfund Transfers
General	\$ 3,972	\$ 3,328	\$ 2,004	\$ (800)
Pepsi	2,682	4,058	2,470	(1,895)
Academic Team	524	-	640	1,000
Art	106	-	-	-
Band	261	100	868	520
Beta Club	2,269	8,525	7,235	400
Cheerleaders	1,674	20,232	15,413	1,500
Choir	560	2,978	2,614	-
DECA	67	3,330	2,891	-
FBLA	124	70	73	-
FFA	4,463	19,964	22,910	-
FCCLA	1,593	11,101	12,226	-
Horticulture	3,697	9,636	9,149	-
Math Club	878	-	14	-
Seniors	1,003	6,943	7,499	800
Textbooks	2,408	417	761	-
Yearbook	15	5,301	5,301	-
Science Club	79	590	573	-
Football	43,110	61,238	93,600	(200)
Boys Basketball	8	9,590	7,554	572
Girls Basketball	1,539	6,160	8,074	5,772
Baseball	21	5,745	8,455	2,700
Softball	2,497	7,745	12,228	2,500
Track	3	200	740	750
Student Activity Fee	2,661	5,925	4,625	(2,000)
Pep	485	345	488	-
JROTC	4,627	8,855	9,523	1,100
JROTC Paver Project	342	175	175	-
Teacher's Pepsi	815	3,665	3,026	-
Tennis	1,282	875	1,908	750
Educators Rising	76	4,867	4,156	-
Special Events	8,675	1,370	2,426	2,550
Transportation	1,252	-	-	-
Boys Golf	1,216	5,464	5,023	750
Girls Golf	784	3,609	3,292	750
NHS	2,772	-	888	750
Volleyball	-	6,401	7,159	2,000
Colonel Players	528	-	-	-
Drama	3,504	6,855	5,712	-
Wrestling	1,925	5,168	7,802	750
Creative Colonels	239	978	990	-

Cash Balances June 30, 2016	Accounts Receivable June 30, 2016	Accounts Payable June 30, 2016	Fund Balances June 30, 2016
\$ 4,496	\$ -	\$ -	\$ 4,496
2,375	112	-	2,487
884	-	-	884
106	-	-	106
13	-	-	13
3,959	-	-	3,959
7,993	665	-	8,658
924	-	-	924
506	-	-	506
121	-	-	121
1,517	-	-	1,517
468	-	-	468
4,184	-	-	4,184
864	-	-	864
1,247	-	-	1,247
2,064	-	-	2,064
15	-	-	15
96	-	-	96
10,548	-	-	10,548
2,616	-	-	2,616
5,397	-	-	5,397
11	-	-	11
514	-	-	514
213	-	-	213
1,961	-	450	1,511
342	-	-	342
5,059	-	-	5,059
342	-	-	342
1,454	160	-	1,614
999	-	-	999
787	42	-	829
10,169	-	-	10,169
1,252	-	-	1,252
2,407	172	-	2,579
1,851	172	-	2,023
2,634	-	-	2,634
1,242	16	1,178	80
528	-	-	528
4,647	-	-	4,647
41	-	-	41
227	-	-	227

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS (CONTINUED)
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2016

ACCOUNTS:	Cash Balances <u>July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
Soccer	386	6,734	6,108	500
Girls Soccer	2,187	8,741	8,478	750
Test Fees	77	1,760	1,760	-
Non-Revenue Sports	697	10,200	-	(10,044)
Scholarship	2,200	-	1,000	800
Ark Club	395	4,660	3,396	-
Boys Cross Country	174	855	1,394	750
Girls Cross Country	174	855	1,487	750
Dual Courses Fee	-	3,175	3,175	-
Community Service	-	3,117	3,117	-
Bball District	-	25,608	10,308	(15,300)
WCHS 1 st Priority	-	30	30	-
Bowling	-	4,991	3,784	750
History	-	1,500	1,502	25
Totals	<u>\$ 111,026</u>	<u>\$ 314,029</u>	<u>\$ 326,024</u>	<u>\$ -</u>

Cash Balances <u>June 30, 2016</u>	Accounts Receivable June 30, <u>2016</u>	Accounts Payable June 30, <u>2016</u>	Fund Balances June 30, <u>2016</u>
1,512	-	-	1,512
3,200	-	-	3,200
77	-	-	77
853	-	-	853
2,000	-	-	2,000
1,659	-	-	1,659
385	-	-	385
292	-	-	292
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,957	-	-	1,957
23	-	-	23
<u>\$ 99,031</u>	<u>\$ 1,339</u>	<u>\$ 1,628</u>	<u>\$ 98,742</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
Year Ended June 30, 2016

	<u>Cash Balances</u> <u>July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>
WHITLEY COUNTY MIDDLE SCHOOL				
All funds	\$ 45,278	\$ 109,069	\$ 104,745	\$ -
OAK GROVE ELEMENTARY SCHOOL				
All funds	\$ 5,149	\$ 39,600	\$ 44,090	\$ -
WHITLEY COUNTY NORTH ELEMENTARY SCHOOL				
All funds	\$ 995	\$ 9,710	\$ 10,198	\$ -
PLEASANT VIEW ELEMENTARY SCHOOL				
All funds	\$ 6,837	\$ 14,837	\$ 17,741	\$ -
WHITLEY COUNTY CENTRAL PRIMARY SCHOOL				
All funds	\$ 850	\$ 20,556	\$ 17,039	\$ -
BOSTON ELEMENTARY SCHOOL				
All funds	\$ 743	\$ 1,211	\$ 938	\$ -
WHITLEY COUNTY INTERMEDIATE SCHOOL				
All funds	\$ 29,872	\$ 17,964	\$ 30,987	\$ -
WHITLEY COUNTY EAST ELEMENTARY SCHOOL				
All funds	\$ 422	\$ 10,827	\$ 9,421	\$ -

<u>Cash Balances</u> <u>June 30, 2016</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2016</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2016</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2016</u>
<u>\$ 49,602</u>	<u>\$ 185</u>	<u>\$ 285</u>	<u>\$ 49,502</u>
<u>\$ 659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 659</u>
<u>\$ 507</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 553</u>
<u>\$ 3,933</u>	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ 3,965</u>
<u>\$ 4,367</u>	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ 4,437</u>
<u>\$ 1,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,016</u>
<u>\$ 16,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,849</u>
<u>\$ 1,828</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 1,854</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
SPECIAL EDUCATION CLUSTER (IDEA)			
Special Education – Grants to States (IDEA, Part B)	84.027	3810002	\$ 931,651*
Special Education – Preschool Grants (IDEA, Preschool)	84.173	3800002	36,417*
Total Special Education Cluster (IDEA)			<u>968,068</u>
TITLE I, PART A CLUSTER			
Title I Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	84.010	3100002	2,216,166*
Total Title I, Part A Cluster			<u>2,216,166</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH CLUSTER			
Education for Homeless Children and Youth	84.196	3990002	49,940
Total Education for Homeless Children and Youth Cluster			<u>49,940</u>
Career and Technical Education – Basic Grants to States	84.048	3710002	67,619
Improving Teacher Quality State Grants	84.367	3230002	337,949
Twenty-First Century Community Learning Centers	84.287	3400002	521,733
Fund for the Improvement of Education	84.215	3209G	3,032
Rural Education	84.358	3140002	83,094
Adult Education – Basic Grants to States	84.002	373	79,877
Adult Education – Basic Grants to States	84.002	365B	24,832
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up)	84.334A	379	117,753
Total U.S. Department of Education			<u>\$ 4,470,063</u>
<u>U.S. Department of Labor</u>			
Passed through State Department of Education:			
WIA/WIOA Youth Activities	17.259	588	\$ 758
Total U.S. Department of Labor			<u>\$ 758</u>
<u>Appalachian Regional Commission</u>			
Passed through State Department of Education:			
Appalachian Research, Technical Assistance, and Demonstration Projects – KY AHED	23.011	688B	\$ 2,601
Total Appalachian Regional Commission			<u>\$ 2,601</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	7760005	\$ 860,359*
National School Lunch Program	10.555	7750002	1,896,829*
Summer Food Service Program for Children	10.559	7690024	3,432*
Summer Food Service Program for Children	10.559	7740023	<u>33,268*</u>
Total Child Nutrition Cluster			<u>2,793,888</u>
EMERGENCY FOOD ASSISTANCE CLUSTER			
Emergency Food Assistance Program – non-cash	10.555	4005381	<u>182,711</u>
Total Emergency Food Assistance Cluster			<u>182,711</u>
Child and Adult Care Food Program	10.558	7800016	9,039
Child and Adult Care Food Program	10.558	7790021	145,487
Paths to Promise P2P – Adult Education	10.596	458B	12,865
Fresh Fruit and Vegetable Program	10.582	7720012	81,496
State Administrative Expenses for Child Nutrition	10.560	7700001	<u>5,766</u>
Total U.S. Department of Agriculture			<u>\$ 3,231,252</u>
<u>U.S. Department of Commerce</u>			
Passed through the Center for Rural Development:			
Congressionally Identified Awards and Projects - PRIDE	11.469	EF16-24	<u>\$ 973</u>
Total U.S. Department of Commerce			<u>\$ 973</u>
<u>U.S. Department of Defense</u>			
Passed through State Department of Education:			
Junior Reserve Officers' Training Corps	12.000	504	<u>\$ 65,999</u>
Total U.S. Department of Defense			<u>\$ 65,999</u>
<u>U.S. Department of Energy</u>			
Passed through State Department of Education:			
Conservation R & D – KY Hybrid Electric School Bus	81.086	6200	<u>\$ 10,099</u>
Total U.S. Department of Energy			<u>\$ 10,099</u>
Total Expenditures of Federal Awards			<u>\$ 7,781,745</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley County School District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Whitley County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Whitley County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Noncompliance material to financial statement notes	_____	Yes	<u>✓</u> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Type of auditor's report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____	Yes	<u>✓</u> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Cluster
84.027/84.173	Special Education Cluster (IDEA)
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B program

\$ 750,000

Auditee qualified as low risk

<u>✓</u>	Yes	_____	No
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Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2016

There were no prior year audit findings.

Marr, Miller & Myers, PSC

Certified Public Accountants
(606) 528-2454 (FAX 528-1770)

P.O. Box 663
Corbin, Kentucky 40702

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 27, 2016

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Marr, Miller & Myers, PSC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements. We did note some additional matters that were communicated to the District in a separate management letter.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 27, 2016

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Whitley County School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and the audit requirements prescribed by Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Marr, Miller & Myers, PSC

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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October 27, 2016

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2016, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some items that go beyond internal control related matters that are being communicated for the benefit of management to improve operational and administrative efficiencies. Our comments and recommendations, as well as the action to be taken by the District, accompanies this letter. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations. This letter does not affect our report dated October 27, 2016 on the financial statements of the Whitley County School District.

Marr, Miller & Myers, PSC

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT LETTER POINTS
June 30, 2016

1. SCHOOL ACTIVITY FUNDS

OAK GROVE ELEMENTARY SCHOOL

- In accordance with Redbook requirements, monies collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the monies are collected after school business hours for evening and weekend events, on the next business day. Testing of current year activity fund receipts revealed several instances of monies not being turned in to the school treasurer in a timely manner. This is a repeat finding.
- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed for all receipts. Monies collected should be properly accounted for and deposited on the day collected.
- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services.

WHITLEY COUNTY INTERMEDIATE SCHOOL

- In accordance with Redbook requirements, monies collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the monies are collected after school business hours for evening and weekend events, on the next business day. Testing of current year activity fund receipts revealed several instances of monies not being turned in to the school treasurer in a timely manner. This is a repeat finding.
- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services.
- Ticket Sale Forms (Form F-SA-1) were not adequately completed and reconciled to tickets sold.

WHITLEY COUNTY CENTRAL PRIMARY

- In accordance with Redbook requirements, monies collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the monies are collected after school business hours for evening and weekend events, on the next business day. Testing of current year activity fund receipts revealed several instances of monies not being turned in to the school treasurer in a timely manner. This is a repeat finding.
- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed for all receipts. Prior to making deposits, all checks should be copied and attached as documentation for amounts received.
- Purchase Order Forms (Form F-SA-8) were not adequately completed or timely prepared for all disbursements. These forms must be obtained and approved prior to purchases of goods and/or services.

WHITLEY COUNTY HIGH SCHOOL

- The Multiple Receipt Forms (Form F-SA-6) were not adequately completed or timely prepared for all receipts. Monies collected should be properly accounted for and deposited on the day collected.
- Proper support should be obtained for any expenditures. Current year testing revealed a payment without a vendor invoice for support.

WHITLEY COUNTY MIDDLE SCHOOL

- Internal controls established require two authorized signatures on all checks. Current year testing of cash disbursements had an exception where a check written only had one signature.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT LETTER POINTS
June 30, 2016

1. SCHOOL ACTIVITY FUNDS (CONTINUED)

WHITLEY COUNTY NORTH ELEMENTARY SCHOOL

- Internal controls established require two authorized signatures on all checks. Current year testing of cash disbursements had an exception where a check written only had one signature.

MANAGEMENT'S RESPONSE

Training was held for all personnel involved with school activity funds, including principals and bookkeepers/office managers. They were instructed on the proper handling of school activity funds and will work with their staff and sponsors in their schools to resolve current year findings and to improve the management of their school activity accounts. The Chief Finance Officer and the Assistant Finance Officer will also be going to each school to work individually with each school to address specific needs at the schools.

2. FINANCIAL REPORTING

The District's board members are actively involved and have significant influence over the District's internal control environment and its financial reporting. Those charged with governance provide input and oversight of the District's financial statements, including the application of generally accepted accounting principles and use of accounting estimates and judgments. In the current year, there were departures from approved policies and procedures in the finance department that resulted in inaccurate and/or incomplete financial information being provided to the Districts' administration and board members. There were also several routine reconciliations that were no longer being performed and/or reviewed on a regular basis. Also, project reports were not provided to the project coordinators on a monthly basis for their review.

MANAGEMENT'S RESPONSE

Management openly encourages and acknowledges the practices of employees, functions, or operating units that promote a sound control environment and will give adequate attention to internal controls, allowing any known weaknesses in internal controls to be detected on a timely basis. Routine reconciliation procedures are now in place in the finance department. All Munis reports, along with completed bank reconciliations are provided to the Administration and the Board on a monthly basis. All project reports are given to the Project Coordinators for their review and approval. The Chief Finance Officer and the Assistant Finance Officer meet with Project Coordinators on a regular basis to review proper procedures and provide reports as needed.

3. FOLLOW-UP ON PRIOR YEAR RECOMMENDATIONS

Prior year recommendations were implemented and corrected except for three recommendations which are noted as repeat findings.